

# EMBRACER+ GROUP

Embracer Group divests Gearbox Entertainment for a consideration of USD 460 million to Take-Two Interactive Software, Inc.

March 28, 2024

# Transaction highlights

## I Transaction overview

- Divestment of Gearbox Entertainment for a consideration of USD 460 million (SEK 4.9 billion) to Take-Two Interactive Software, Inc.
- Upon closing will significantly reduce Embracer's net debt, earnout obligations and capex
- Embracer retains selected companies including:
  - Gearbox Publishing San Francisco (incl publishing rights to the Remnant & Hyper Light Breaker, amongst others).
  - Lost Boys Interactive, Cryptic, Captured Dimensions

## I Strategic rationale

- An important step in transforming Embracer into the future with notably lower net debt and improved free cash flow. Final structured divestment process under restructuring program
- Reduces business risk and improves profitability as Embracer transitions to becoming a leaner and more focused company
- After evaluating options for Gearbox, Embracer has reached a solution that is in the best interest of all stakeholders

# Transaction – key components

- The purchase price amounts to USD 460 million (SEK 4.9 billion)
- The consideration at closing will be paid 100% in newly issued Take-Two shares (VWAP5 to closing). Embracer's intent is to sell these shares to receive cash proceeds soon after closing, which is expected in Q1 FY 24/25
- Following purchase price adjustments, transaction costs, share sell-down costs and earnout settlements the expected net cash proceeds amount to approximately USD 300-330 million (SEK 3.2-3.5 billion)
- Cash earnouts in accordance with non-GAAP will be reduced by SEK 1.6 billion compared to the group total of SEK 6.3 billion as of Q3 FY 2023/24 and of a total maximum of approximately 30 million B shares in share earnout obligations approximately 18 million B shares will be reduced. In connection with closing, the remaining approximately 12 million B shares will still be issued as settlement of certain earnout obligations

# Illustrative financials

## I For the period 1 January – 31 December 2023

before any potential effects from the ongoing restructuring program after 31 December 2023

SEK, million	Divested assets	Retained assets	Divested assets % of group	Retained assets % of group	Group total, incl. divested assets
<b>Net sales<sup>1</sup></b>	1,680 mSEK	2,011 mSEK	3.9%	4.7%	42,687 mSEK
<b>Adjusted EBIT</b>	-30 mSEK	197 mSEK	-0.5%	3.0%	6,552 mSEK
<b>EBITDAC<sup>2</sup></b>	-809 mSEK	-117 mSEK	-26.8%	-3.9%	3,024 mSEK
<b>Capex</b>	-941 mSEK	-508 mSEK	12.1%	6.5%	-7,803 mSEK
<b># total headcount<sup>3</sup></b>	1,336	760	8.8%	5.0%	15,218
<b>Book value of ongoing game development projects</b>	990 mSEK	580 mSEK	10.2%	6.0%	9,728 mSEK

<sup>1</sup> Net sales includes intercompany transactions within Embracer | <sup>2</sup> EBITDAC = Adjusted EBITDA less Gross investment in intangible and tangible assets. | <sup>3</sup> Total headcount includes externally funded game developers, internal game developers, internal employees, and non-development, as of December 31, 2023.

# Financial impact

- **Net debt** will be reduced by ~SEK 3.2-3.5 billion in connection with closing
- Cash earnout obligations will be reduced by approximately ~SEK 1.6 billion. The combined reduction of net debt and cash earnout obligations is ~SEK 4.8-5.1 billion
- **Capex** will at closing be reduced by ~SEK 0.8 billion, based on the annualized Q3 FY 23/24 run-rate
- The transaction is expected to be immediately accretive to free cash flow generation. All retained companies are expected to contribute with positive free cashflow FY24/25 onwards.
- If closing would have occurred on 31 December 2023, the transaction is estimated to have created a non-cash net expense of approximately ~SEK 1.0-1.3 billion



# Studio/asset split post transaction

## Retained assets include



- Remnant franchise<sup>1</sup>
- Neverwinter Online
- Star Trek Online
- Hyper Light Breaker<sup>1</sup>
- Other unannounced game releases

The retained companies will be welcomed and integrated into other parts of Embracer Group in the coming period.

## Divested assets include



- Borderlands franchise
- Tiny Tina's Wonderlands franchise
- Homeworld
- Risk of Rain
- Brothers in Arms
- Duke Nukem

\* to be renamed prior to closing, formerly named Perfect World Entertainment | <sup>1</sup> publishing rights

# Q&A

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